

# CHRB NEWS & REVIEW

NEWSLETTER OF THE CALIFORNIA HORSE RACING BOARD

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## REGULATORY PROCESS IN HIGH GEAR FOR AB 471

The California Horse Racing Board is quickly working to implement the account wagering, labor, and housing provisions of AB 471 in hopes of having the regulations in place January 1 when the new law takes effect.

The CHRB commissioners and staff already are drafting regulations that will be discussed at public meetings in September. If the horse-racing industry and general public substantially agree with the racing commissioners on the major provisions of these drafts, and if the Board can streamline the regulatory process, the January 1 goal can be reached.

However, any significant disagreement will delay the process for as long as it takes to get it right.

Fortunately, a lot of advance work has been done, so the Board doesn't need to reinvent the wheel. For example, many other racing jurisdictions in the United States already have

written account-wagering regulations. We can learn from their successes and their mistakes.

Back in the 1970s when the farm workers were organizing, the Agricultural Labor Relations Board developed a process for union representatives to gain access to private farms and for orderly elections. A similar process can be adapted for racetracks.

And local jurisdictions already have housing ordinances in place that can be incorporated into the housing standards that the Board is developing.

Other wagering, labor, and housing laws and guidelines can provide the broad regulatory language for the CHRB drafts. But as with most things, the devil is in the details.

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## MESSAGE FROM THE EXECUTIVE DIRECTOR

**T**he primary role of government investigators is law enforcement — whether that means enforcing horse-racing regulations, housing ordinances, or labor statutes — but that shouldn't prevent them from behaving in a fair, courteous, and usually friendly manner.

Like the old cop on the beat, it's not always about catching bank robbers. Sometimes it helps just to stop and chat with the storeowners to let them know you're around.

The CHRB investigators at all racetracks in California have many responsibilities. They keep the peace, investigate complaints, conduct background investigations, prepare cases for administrative hearings, and present those cases to the stewards. They also conduct barn searches and monitor activities in the stable area.

At a recent training seminar, I emphasized the need for our investigators to put some things aside and spend more time in the barn area knocking on doors, talking to people, and checking out horses entered in races.

Since the seminar, I've been receiving good reports. Our investigators have been more visible at Del Mar, Los Alamitos, and the fairs. They're getting to know licensees,

spending time with veterinarians, and monitoring horses. I want them to keep it up when they move to other tracks.

Seven new investigators recently joined our quality staff after distinguished careers with other agencies. I hope all racing participants will help them in their transition and get to know these individuals, so that they can be responsive to the needs of the industry.

Our investigators also assist the Division of Labor Standards Enforcement (DLSE) with its enforcement efforts at racetracks. Responding to complaints that DLSE has been overly aggressive during the labor sweeps, we met with the assistant labor commissioner to discuss ways of mitigating any adverse impact of the labor sweeps without interfering with their enforcement mission. Based on those conversations, we anticipate that the labor sweeps will be conducted with a different attitude in the future.

We look for a new spirit of cooperation in the stable area among licensees, labor authorities, and CHRB investigators.

*Roy C. Wood, Jr.*  
Roy C. Wood, Jr.



## IN THE GOLDEN STATE

### The Odds They Are A-Changin’

*CHRB pari-mutuel auditors are constantly alert for any potential problems with the pari-mutuel wagering system. Senior Auditor John Reagan reports that he occasionally receives complaints about odds changing after the race has been run. He writes that the public has nothing to worry about.*

The pari-mutuel system is what allows patrons to place their wagers on horse races in a controlled, secure, and accurate way.

Using powerful computers, satellite and telephone connections, and related hardware, the system processes wagers rapidly, providing continually updated odds right up until the race and sometimes even immediately afterward as the last wagers that were placed before the start of the race filter their way through the system.

Based on the outcome of the race, the amounts actually wagered on each horse determine the payouts for each of the winning wagers. Wagers for each pool are collected, the final cycle of odds is complete, and a price is calculated for each pool. Winning ticketholders cash their tickets after the race is declared official by the stewards. The successful wagers are maintained in the system. Patrons cash the winning tickets, place new wagers, creating new odds, and the process is repeated many times each racing day.

Prior to 1985, this was a fairly simple system largely internal to each racetrack. However, with the advent of off-track wagering the system has expanded, so that wagering information is now shipped between host tracks and dozens of satellite wagering hubs. The mechanism for the communication of this wagering data is the Inter-Tote System Protocol (ITSP).

The ITSP allows all totes to communicate with each other. A key feature of the ITSP is that a stop-betting command, when received, takes priority over any other process. Thus, despite the growth in the number of sites that are interconnected, the system is completely controlled. This process is closely monitored at the host track by the state pari-mutuel auditors, the association’s pari-mutuel employees, and the totalizator employees who operate the system, not only in California but also at each hub in North America.

In recent years the CHRB has received numerous inquiries from the wagering public about the changes in odds after the runners leave the gate. Indeed, sometimes the odds continue to change until after the race is over. Patrons are concerned that something improper might be occurring during this process. The answer is “No.”

When the gates open, a stop-betting command is instantaneously sent from the host track to all connected totalizator hubs. This stop-betting signal immediately closes the respective pools.

After the pools have closed, preventing additional wagers, the other locations electronically send their final wagering data to the California host. Once all sites have transmitted

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## CALENDAR

### SEPTEMBER

- 7 – Pomona fair meet opens.
- 20 – Race Dates Committee Meets in Pomona.
- 20 – Pari-Mutuel Operations Com. Meets in Pomona.
- 21 – CHRB monthly meeting in Pomona.
- 26 – Oak Tree thoroughbred meet opens.
- 28 – Cal Expo harness meet opens.

### OCTOBER

- 3 – Fresno fair meet opens.
- 19 – CHRB monthly meeting in Arcadia.

# BE OUR GUEST...

***The California Horse Racing Board believes the best way to regulate an industry is to be fully informed. The CHRB regularly solicits input from the public and the horse-racing industry, and this guest editorial page is one more forum for that purpose.***

*This guest editorial was submitted by the interim management team of the Jockeys' Guild in Lexington, Kentucky, representing the chairman and executive committee of the Guild.*

It's a new day at the Jockeys' Guild. We have some new leadership, fresh initiatives, and plenty of forward momentum.

Tomey Jean Swan, our new chairman and a member of the Guild's executive committee, is eager and excited about the opportunity to lead the Guild into a new era.

"We want to be represented as the professional organization that we are as we move into the 21st Century," she said after the executive committee voted unanimously to name her chairman.

She is part of a restructuring movement to create a leaner, faster, and more responsive organization poised to protect and elevate the jockey community. Representation of riders throughout the country is paramount.

Ms. Swan, a leading quarter-horse jockey, has been a pioneer for women in the horse-racing industry. She became the first female jockey to win at every major quarter-horse track in California.

On June 15, the executive committee hired an interim management team headed by Dr. L. Wayne Gertmenian (popularly known as "Dr. G"), who is a professor of economics at Pepperdine University. A rotating team of 12 professionals, primarily MBA graduates, is attending to daily administrative matters, as well as the creation of a long-term strategic plan.

The current executive committee for the Guild is comprised of Anthony Black, Robert Colton, Chris McCarron, Michael McCarthy, and Ms. Swan. Each member of the executive committee is working tirelessly to usher in this new era of change.

Robert Colton has been working with individual state legislatures to design health-care-benefit structures for states, including California, Delaware, and West Virginia. He has also been analyzing new purse-payment percentages to help equalize prize money for jockeys.

Chris McCarron has been working on the recently enacted California proposal allowing advertising and sponsorship on jockey attire.

Of immediate concern is the re-establishment of a nationwide health-care plan for jockeys and their families.

Health-care coverage was dropped in April of 2001 because of the rising costs of premiums. The new management team has been charged with finding a creative way to supplement the insurance premiums of every Guild member.

The executive committee is currently creating several ad hoc committees to address issues pertinent to the Guild. The issues include:

- health and welfare;
- educational programs on literacy and personal finance;
- standards and safety conditions;
- membership recruitment and service;
- legal and legislative issues; and
- marketing and promotion.

Committee participants include all directors, Guild employees, and an array of experts from many disciplines and professions.

"It is important to recognize that these jockeys are superstars, possessed with enormous courage," Dr. G emphatically stated. "We have one mission, serving the needs of the jockeys."

This sentiment has brought in individuals from a variety of different industries who have volunteered their time to assist with the construction of a forward strategic direction for the Guild.

"The medium is the message," is one new mantra at the Guild. With support and direction from the executive committee, the interim management team has already facilitated directional changes in the day-to-day functions of the Guild. Member representatives now wear valet shirts in the jock's room as opposed to suits.

"This is extraordinarily symbolic of whom serves whom in this organization," said Dr. G.

Also, many of the team management members speak Spanish, which allows them to better serve the significant percentage of jockeys and their families for whom English is a second language.



# GSRN: The Racing Fans' Network



*This article was submitted by T. Patrick Stubbs, the Del Mar Thoroughbred Club's Director of Corporate Development and Simulcasting, who was instrumental in the development and implementation of the Golden State Rewards Network.*

The purpose of the California Marketing Committee is to market and promote horse racing in California. Accordingly, last year the CMC created the Golden State Rewards Network (GSRN), a program that rewards horse-racing fans for their loyal patronage of California's racetrack and simulcast facilities with merchandise, food, wagering vouchers, daily programs, special parking, and the like.

A pilot program was conducted at six racetracks and wagering facilities. More than 4,000 players enrolled in the pilot and accumulated more than 12-million points. Patrons appreciated the customer-recognition program and were excited about the prizes.

The pilot provided the framework and data needed to launch the statewide GSRN program in March. The response has been tremendous. GSRN now has 20,000 members who have earned a whopping 108,312,394 points, and an average of 150 new patrons enroll every day.

As the marketplace grows increasingly customer-focused and competitive, reward programs are right on target. Our goal is to attract and retain fans by making horse racing more fun and rewarding while strengthening the relationships between facilities and their customers.

With just a swipe of a card, members earn a 10-point admission bonus and credits at a rate of one point for every dollar wagered on live and simulcast races at any participating facility in California. Members also qualify for local market promotions like million-point giveaways, second-chance drawings for cash, VIP days at the races, and trips to horse racing's biggest events. Most importantly, loyal horseplayers are being recognized and rewarded for their patronage.

Customer relationship management (CRM) marketing and technology strategies are integral to success in any type of business. CRM technology allows management to collect and store player information in a database. This database includes individual patron attendance and wagering activity, and it provides significant demographic information.

This information helps marketing managers develop programs and promotions, and allows them to customize com-

munications to customers through the Internet, direct mail, and other methods. Racetrack and satellite managers can mine the valuable data and develop customized marketing programs that efficiently and effectively target individual players and market segments. GSRN helps managers better understand how their patrons wager overall, which incentives work, and how to build one-to-one relationships with customers.

This program works. Our customer-focused efforts are resulting in brand loyalty and higher revenues. As we move into our second year of operations, GSRN is exploring new promotions and an expanded prize structure. This could potentially include a statewide handicapping contest, double-point days, and fan days for both high and low rollers.

Direct marketing is considered a cost-effective means of communicating with existing customers. Direct marketing requires a statewide database. We are building a database of our most loyal patrons, which is critical to developing and maintaining individual relationships. We are identifying inactive members, so that facilities can advise those members about the benefits they can receive through active participation.

The CMC provides daily service to participating facilities by making marketing and promotional materials available and providing continuously updated training on the system. The CMC also sends the National Thoroughbred Racing Association (NTRA) monthly newsletter to all GSRN members. This increases awareness and participation in the program by highlighting information about California racing, GSRN news, promotions, benefits, and additions.

The CMC is actively embracing this initiative, and with continuous support from the horse-racing industry, racetracks, and satellite facilities, it will continue to benefit all of us in horse racing.





# Comings and Goings at the CHRB...

The California Horse Racing Board has hired seven new investigators for positions throughout the state. They all have distinguished careers in law enforcement.

William Arietta and Anne Glasscock are both working in Northern California. Dennis Drulias and Tom Blake are both at Los Alamitos. John Olive, Christopher Loop, and James Hamilton all work on the Southern California thoroughbred circuit.

Arietta retired as a sergeant after 30 years with the San Francisco Police Department. He most recently served as the director of security at the Cannery in San Francisco.

Glasscock served 10 years as a deputy sheriff in Shasta County. Prior to coming to the CHRB, she worked for nine months as a Medical Board investigator with the Department of Consumer Affairs in San Jose.

Drulias spent 28 years with the Los Angeles Police Department (LAPD). He retired at the rank of detective supervisor in the burglary/theft unit.

Blake spent 32 years with the LAPD, from which he retired in 1995 as a detective III supervisor.

Olive retired after 26 years with the LAPD at the rank of senior detective.

Loop served 15 years as a Glendale police officer and 10 years with the LAPD. Most recently he worked five months in security at Warner Brothers Studios.

Hamilton served 32 years with the LAPD. He retired at the rank of detective II.

Bob Peters retired after six years with the CHRB as an investigator in Southern California. He came to the Board after 27 years with the LAPD, where he attained the rank of detective III. While with the CHRB, Peters proved himself capable of dealing with critical equine medication issues, so that he handled the majority of the important Class 1, 2, and 3 cases in his area.

Paul Lowe is a new student assistant in the management information system unit in Sacramento.



**Dr. Jeff Blea, a practicing veterinarian at Southern California thoroughbred racetracks, was one of several industry representatives who spoke to new CHRB investigators during an in-house training seminar. Listening to Blea were (from left) James Hamilton, Christopher Loop, John Olive, Tom Blake, and Dennis Drulias.**

# The Fairest of Them All

*This guest editorial feature was submitted by Christopher Korby, executive director of the California Authority of Racing Fairs, which represents most of the racing fairs in the state. Korby has worked in the racing industry for more than 20 years. His first job in racing was at a fair.*

Fairs have a grand old tradition of horse racing in California going back 150 years to the days of the Gold Rush. So when pari-mutuel wagering came along in the early '30s, the fairs embraced it like an old friend.

Fairs and racing share a political heritage reflecting a balance of interests that has served the racing industry well since 1933, when support from the fairs assured passage of the referendum approving pari-mutuel wagering. That referendum laid the foundation for modern racing in California.

The Horse Racing Law cited "supporting the network of California fairs" and "encouraging agriculture and the breeding of horses in this state" as reasons for allowing pari-mutuel wagering on horse racing.

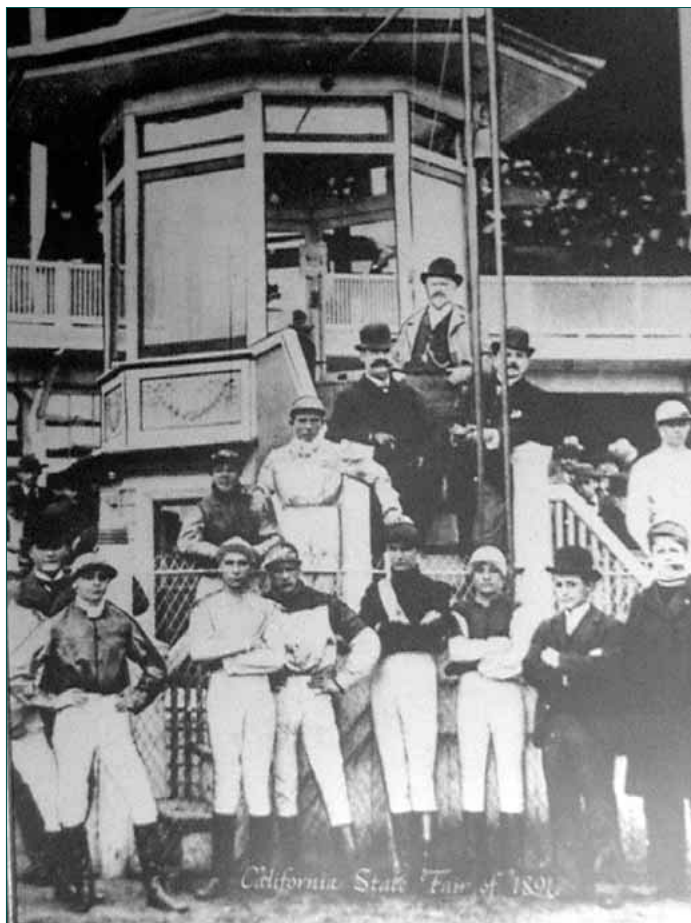
The long-standing association with fairs and agriculture still works to the best interest of the racing industry in California. Legislators today see the benefits that horse-racing revenues deliver to their local fairs. Support from the fairs was essential for passage of two recent bills (SB2000 and SB27) that provide more than \$50 million each year in license-fee relief and increased purses for the horse-racing industry.

Fairs are the vehicle through which the Legislature has chosen to distribute the economic benefits of horse racing to local communities and to the agricultural sector. Revenues derived from horse racing help sustain overall fair activities, which are an important part of the fabric of California life.

Fairs connect racing to wholesome, family-oriented activities. Fairs have always played an important role in vocational education for agriculture through support of groups such as 4-H and Future Farmers of America (FFA). Most leaders in California agriculture had their first direct experience with the market economy through their experience with 4-H or FFA at a California fair. These programs are helping train the next generation of leaders in California agriculture.

## Major Investments by Fairs in Racing

Not only are fairs preserving the heritage of racing, they are investing and building for a strong future. Fairs have a major investment in the California racing industry. The fairs operate eight of the state's 14 racetracks and conduct a race meeting at a ninth (Bay Meadows). And the largest capital



**This photograph taken in 1891 at the California State Fair shows the jockey colony standing in front of what appears to be the stewards stand, which apparently was located at track level in those days.**

improvements project at a California racetrack in recent years – the new grandstand at Del Mar – was built on the 22<sup>nd</sup> District Agricultural Association fairgrounds with financing guaranteed by racing revenues to fairs.

The fairs also operate 23 simulcast wagering facilities that stretch from Humboldt County in the north to San Diego County in the south and to San Bernardino and Riverside Counties in the east. There is a fair wagering facility in every major metropolitan market in California. Last year, patrons at our sites wagered more than \$600 million.

Over the years, fairs have steadily made the financial commitments to build, maintain, and improve their racing and simulcast wagering facilities. In addition to substantial commitments from each individual fair, the Department of Food and Agriculture (CDFA), working with the California Authority of Racing Fairs (CARF), re-invests more than \$4 million annually toward improvements at those facilities.

Funds are directed to construction of new wagering facilities, racetrack safety projects, maintenance and replacement of technical equipment at wagering facilities, backstretch improvements, and other major upgrades to racetracks and wagering facilities.

Recent improvements completed from these allocations include the following projects:

- New saddling paddocks at the Humboldt, Stockton, and Vallejo Fairs;
- Infield landscaping and a new winner's circle at Fresno;
- Winner's circle expansion and landscaping at Cal Expo;
- Remodeling of the jockeys' room at Pleasanton and Stockton;
- Grandstand improvements at Pleasanton and Santa Rosa;
- Bathroom/shower improvements in the Pleasanton and Stockton stable areas;
- Major remodeling and new television equipment at the Anderson, Santa Maria, Victorville, and Monterey simulcast facilities; and
- New control rooms at the Del Mar, Fresno, and Indio wagering facilities.



**This new simulcast control room at Del Mar is one example of the fairs' commitment to re-investment in California horse racing.**

## **The California Racing Fairs and Their Charter Dates**

**California State Fair (Sacramento) 1854**  
**Alameda County Fair (Pleasanton) 1854**  
**San Joaquin County Fair (Stockton) 1860**  
**Fresno District Fair (Fresno) 1884**  
**Sonoma County Fair (Santa Rosa) 1889**  
**Humboldt County Fair (Ferndale) 1895**  
**Los Angeles County Fair (Pomona) 1924**  
**San Mateo County Fair (San Mateo) 1934**  
**Solano County Fair (Vallejo) 1948**

Looking ahead, backstretch improvements will continue later this year at Cal Expo, Humboldt, Pleasanton, and Stockton. Santa Rosa is scheduled to undertake a major overhaul of its stable area trailer park during the off season.

A new \$4-million wagering facility will break ground later this year at Lancaster. Modeled on the successful Lake Perris design, this new facility will feature 400 carrel seats, a restaurant/club area, four LED tote boards, and giant video screens. It will be open for business in about 18 months.

Fairs are proud to be an important part of California's simulcast wagering network, the finest in the country. These wagering facilities and the racetracks built by fairs signify a major, sustained commitment to horse racing in California.

## **Safety Always Comes First**

Fairs are continually improving their facilities to make racing a safe and enjoyable experience for patrons and participants alike.

Fairs have recognized that a safe and consistent racing surface is a critical component of a strong racing program. To assure that fair tracks are as safe and consistent as they can be, fairs have put together a track safety and maintenance program, which is overseen by Steve Wood, a recognized expert in the field.

CDFA has supported this safety effort with funding through the Division of Fairs and Expositions. The program provides high-quality tractors, harrows, graders, and other equipment to prepare and maintain fair racetracks. It also provides the soil amendments and preparation expertise necessary to keep our tracks at the highest level of safety and consistency.

**(Continued on next page)**



Fairs were the first in California to use treaded tractors for track preparation. We recognized that the compaction characteristics of treads vs. tires could have a beneficial impact on the daily track condition and its effect on assuring equine soundness. Other California tracks have since followed suit.



## Everyone Welcome

Racing at Fairs offers opportunities for all recognized breeds. In addition to our thoroughbred program, we offer the only racing in Northern California for Appaloosas, Arabians, mules, and Quarter Horses. These breeds have run at the fairs for years and are an important part of our program.

This year fairs expanded their recruitment program to attract owners, trainers, and horses to our circuit in Northern California. Representatives visited a number of tracks to meet directly with trainers and owners.

In order to assure that trainers running at the Fairs could be fully informed about current regulations regarding labor laws and safety requirements, we assembled and circulated packets of information, so that horsemen would be fully informed about California rules on these matters. We opened the Stockton track for training six weeks early to provide a stabling and training facility to owners and trainers at no cost.

The broad opportunities offered in our racing program, the level of our purses, and the consistency of our racetracks combine to make the fair circuit an attractive stop on the California racing scene.

## Proving Ground

Fair racing is important to the future of California racing. Fairs provide entry-level training grounds to prepare and prove the next generation of breeders, owners, trainers, horses, officials, and managers.

California is a regional horse-racing island, far from the nearest comparable racing jurisdiction. Our state needs to be nearly self-sustaining in development of new participants, officials, and managers, so as to maintain its tradition of high-quality racing. Many people active today in the California racing industry came into racing through the fairs. By carrying on this tradition, fair racing supports the continuing quality of California racing. Strong fair racing means strong California racing for another generation.

## Reaches New Fans

Not only does fair racing offer an entry point for the next generation of racing participants, it offers an ideal opportunity to reach out to new fans. Fairs draw millions of patrons every year. Last year, nearly five million people attended California fairs that offer live horse racing.

Racing at fairs is the first opportunity for many Californians to see a live horse race. Fairgoers who see the races for the first time at a fair might otherwise never go to a track. It is common to see entire families with members of all ages enjoying races for the first time at the nine fairs in California that conduct racing in conjunction with their other fair activities on the same grounds.

Fairs represent a wholesome, family-oriented aspect of the horse-racing industry. The connection to Fairs is important to the image of California racing.



**A family enjoys a day at the races at Pleasanton.**

Fairs are an important part of the political balance that has served the racing industry well for more than 70 years. The affiliation between fairs and racing is good policy. California fairs connect horse racing to wholesome family values and to agricultural interests in this state.

California fairs are in horse racing for the long run.





Roy Minami, the staff services manager who is overseeing the drafting of all the CHRB regulations, is especially familiar with the housing elements. He reviewed local ordinances and accompanied local housing authorities on their inspections of employee housing in the stable areas of all the major racetracks in California.

### Ordinances in Place

“Most jurisdictions use the Uniform Building Code, though Los Angeles County has its own code,” explained Minami. “Each county has small differences, but they are substantially the same. Our responsibility is to write housing standards for the horse-racing industry that will not conflict with any of those local ordinances.”

“One challenge is to write regulations for sleeping quarters at racetracks that are not specifically covered by any of those local ordinances. None of those ordinances specifically lists housing at racetracks. They do have specific language covering hotels, apartments, single-family homes, even housing at migrant labor camps. But you won’t find anything that mentions tack rooms. That’s why the local authorities, during their inspections of racetracks, focused on things like adequate ventilation and lighting, flooring, and safety concerns that are universal to all housing standards.”

Jacqueline Wagner, manager of the CHRB’s policy and regulations unit, noted that Minami and others have been working with local housing authorities for more than a year in developing standards for backstretch housing.

### Codifying Current Practices

“We have these things in place, but they aren’t official rules yet,” explained Wagner. “Basically, we are in the process of codifying what we’re already doing.”

Commissioner Marie Moretti chairs the Security and Licensing Committee, which will conduct hearings on both the housing and labor provisions of AB 471. (A second, ad hoc committee also will be addressing the labor issues.)

“The Board is committed to carrying out the law, but more than that, we’re responsible to all workers in the horse-racing industry,” said Moretti. “We are committed to ensuring the health, safety, and rights of every groom, every trainer, every licensee. We must be sure that the regulations we put in place will work for every individual in horse racing.”

“We have not been sitting idly by waiting for this law to take effect. We’ve been working with labor officials to make certain that our licensees are complying with all of the labor laws. We’ve been inspecting housing in the stable areas. And we’ve added a requirement in the license application for racetracks to certify that employee housing complies with local ordinances.”

John Reagan, a senior management auditor, leads the team



“The process will work best if we hear from the public and the industry at the beginning, so that the regulations won’t require major revisions later on.”

Commissioner Marie Moretti

of staff members drafting the wagering regulations required by AB 471. This team has made remarkable progress in a short period by developing draft regulations for consideration by the CHRB’s Pari-Mutuel Operations Committee, chaired by Commissioner Roger Licht.

Reagan has obtained regulations from other states that already have account-wagering systems in place, such as Oregon, Louisiana, Pennsylvania, and Kentucky.

### Oregon a Model

“Oregon’s are the most recent, and they did an excellent job, so the Oregon regulations are serving as a model for ours,” explained Reagan. “We are taking advantage of all the hard work that went on before us.”

“The details will be worked out in meetings and will include comments we receive from the public and the industry. We have a long list of questions that need to be answered and dealt with in regulatory form. For example, how do you establish an account? How do we protect the information in that account? Can it be established over the telephone? Over

the Internet? Using a credit card? Would accounts be transferable from race meet to race meet?

“Yes, there are plenty of details, and even after we write all of them that we can think of, we’ll still miss a few. That’s why it’s so important for the public to be part of this process. If we receive worthwhile and workable suggestions, we can change our drafts accordingly.”

## Seeking Answers

As chairman of the Pari-mutuel Operations Committee, which is responsible for conducting public hearings, receiving input from all sources, and drafting account-wagering regulations for consideration by the full Board, Licht already is putting long hours into this project. He still doesn’t have all the answers, but he does know the principal areas of concern.

“One of the most important issues is source market fees,” explained Licht. “We need to make sure that we participate in every wager made by California residents no matter where the race takes place. If someone in California calls up and makes a bet on a race in Illinois, some percentage of that wager has to benefit California.

“We also must protect the horsemen. The regulations must make sure that owners and trainers are going to have some control over the product.

“We need limits on the importation of competitive signals. I’m concerned that when the public has more choices to bet on, are we going to lose some fans to other tracks?

“There are details about the accounts and the wagers themselves that need to be worked out. Some states place limits on the amounts that can be wagered. And we must determine the methods for making deposits.

“Then there are technical matters,” continued Licht. “We need to decide how many hubs (wagering systems) there should be and the criteria for being a hub. And we need to be concerned about the possibility of unauthorized wagering facilities, such as off-shore operations, trying to put their wagers into the system through authorized facilities.

“I’ve been hearing from all of the segments of the industry – the NTRA (National Thoroughbred Racing Association), TOC (Thoroughbred Owners of California), the racetracks, and from labor. Interestingly, I personally haven’t heard much from the fans. I really want to encourage them to come to our meetings and to submit their proposals.”

CHRB Executive Director Roy Wood noted that fans have been communicating with the staff and participating in the drafting of the regulations, largely through input from the Southern California Fans Committee and its chairman, David Pascale.

## Time-Consuming Process

Wagner’s unit will take the proposed regulations through the precise steps required by the Administrative Procedures Act (APA). This begins with the various committees holding



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Commissioner Roger Licht

public hearings on the proposed regulations. Once the committee members agree on the language, the proposed regulations are approved for 45-day public notice, which provides the general public with the opportunity to comment. Any input received during that notice period is considered at a second public hearing. If there are no substantial changes at that time, the full Board can adopt the regulations. But that is not the end of the process.

Following adoption, the regulations are submitted to the Office of Administrative Law (OAL) for review of the entire rulemaking file, which includes transcripts of the public hearings and a complete report detailing each of the steps taken and summarizing all of the public commentary. OAL

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their wagering data, the pari-mutuel calculation at the host track begins. However, with dozens of primary hub sites collecting data from hundreds of wagering locations, this process takes time even under ideal conditions. If communications are difficult because of data-line problems, it can take several minutes to resolve those problems and complete the receipt of all wagering data.

## Pools Can Be Excluded

In extreme cases, communications with a satellite site cannot be restored in time to commingle their pools, so the host track's pari-mutuel manager mandates a "clear and close" procedure. A "clear and close" simply means that all wagering data from a location is deleted from the host-track system. The pools are then closed and the price calculation is begun.

Although very infrequent, another "clear and close" situation would be a dropped data link or other problem that caused a location to delay receiving the stop-betting signal. The pari-mutuel managers and state auditors are instantly aware of the problem and they deal with it effectively.

There are bottlenecks built into some of the out-of-state systems. For example, one large Midwestern racing state requires that all hubs in that state go through one primary hub prior to sending their out-of-state pools data to California (or other jurisdictions). Therefore, when the stop-betting command is received in that state, the local hubs close their pools, then send their data to the primary hub. The primary hub will not send its data to California until all of its subsidiary hubs have been heard from. This process adds additional time to the process of finalizing the California pools. This data can

represent a relatively large amount of last-minute wagers and cause the California odds to change, if not significantly, at least to a noticeable degree.

## 'Solution' Too Drastic

Every now and then someone suggests that we require the out-of-state totalizator systems to close their pools at a time certain, say, two minutes to post time, so that their final wagering data can be transmitted to California prior to the start of the race. However, this "solution" would create other problems. It would deprive out-of-state players of the opportunity to make last-minute wagers. And sometimes when a horse acts up in the gate, bettors rush to cancel their tickets. Out-of-state bettors wouldn't be able to cancel their tickets if the pools were closed early for them. Late scratches or other problems that delay the start of the race would compound this problem. Out-of-state players would remain locked out because of the early closing of the pool.

## Bottom Line

The most important thing to remember is that when the high priority stop-betting signal is sent, all wagering is stopped. Or if the stop-betting signal is delayed, wagers from that location are deleted from the pool. So, even if it takes time to process all of the final wagering data, no new wagering on those pools is being accepted by the tote system.



## AB 471

(Continued from previous page)

has 30 days to approve, reject, or return the proposed regulations to the Board for specific reasons. Any deviation from APA procedures can seriously delay the process.

Following OAL approval, regulations are submitted to the Secretary of State for final approval. Ordinarily, this step takes up to 30 days. However, the Board will ask OAL to allow the regulations to become effective immediately upon filing with the Secretary of State. If OAL approves this request, the process can be shortened by one month.

"The process will work best if we hear from the public and the industry at the beginning, so that the regulations won't require major revisions later on," concluded Moretti.



*Articles and photographs  
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CHRB News & Review  
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